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**European Review**



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**6 December 1985**

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European Review

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After suffering severe energy shortages last winter, East Europeans are bracing for the coming icy season. Despite regionwide efforts to expand supplies, at least three countries—Bulgaria, Romania, and Yugoslavia—probably will incur fuel shortages again this winter even with average weather. These shortages will further cripple industrial production and stunt economic growth.

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Yugoslavia: Impact of Party Revival on Economic Policy	<div></div> 13	25X1
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Renewed activism by the Yugoslav Communist Party threatens to complicate the government's adherence to its economic stabilization program. While the party leadership has supported some key economic bills proposed by the government, it has advanced other measures that conflict with government and IMF efforts to promote greater economic efficiency. Disagreement between the party and government over these measures is likely to continue and even sharpen.

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**Spain: Gonzalez and the NATO Referendum** [Redacted]

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Prime Minister Gonzalez is moving closer to holding the referendum he has promised on NATO's membership. He still might back off, however, if Washington and his other allies ask him to do so or if he becomes convinced the referendum will fail. [Redacted]

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**Viewpoint**

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**Economic News in Brief**

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*Some articles are preliminary views of a subject or speculative, but the contents normally will be coordinated as appropriate with other offices within CIA. Occasionally an article will represent the views of a single analyst; these items will be designated as uncoordinated views. Comments may be directed to the authors, [Redacted]*

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## Briefs

## United Kingdom

## Thatcher Blamed for Bleak Economic Future

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A House of Lords committee report blames the Thatcher government for the decline in Britain's manufacturing base and export potential and predicts a future of chronic balance-of-payments crises, economic stagnation, and higher inflation.

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The study, prepared by a politically diverse group of retired industrialists, bankers, and former government officials, looks at future economic development once North Sea oil production falls off and the oil trade surplus disappears—which, by some estimates, could occur as early as 1990. It argues that the service sector will not be able to replace jobs and exports lost by the decline in traditional manufacturing industries. The report severely criticizes the government's laissez faire approach to the economy and urges it to promote innovation, improve product quality, stabilize exchange rates, and enforce realistic wage settlements.

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Government officials sharply rejected the committee's findings, stressing that the British economy is in a healthier state today than when the Tories took office in 1979 and that the economy has 15 to 20 years to adjust naturally to the decline in oil output. They continue to insist that the government must not interfere with market forces in determining, or even predicting, which industries emerge or thrive in the future. We think the report is overly pessimistic and underestimates the potential of service industries to become large export earners. Regardless of the merits of the report, however, it has focused public attention on the problem of deindustrialization and will force Thatcher to address the issue more directly.

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## Canada

## Liberal Leader Acclaimed

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Liberal leader John Turner received rave reviews at the party's conference in Halifax in November, thereby strengthening his hold on the leadership in anticipation of a formal party review of his record next fall. Because Turner led the Liberals to their worst defeat in history in 1984—losing a 9-point lead in the polls during the campaign and winning only 40 of 282 parliamentary seats—political analysts had speculated that he would be displaced by former Liberal External Affairs Minister Jean Chretien before the next election. Chretien had finished second to Turner in the leadership balloting in 1984 and has never disavowed claims to be a more capable leader.

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Chretien apparently still hungers for the post; polls show him more popular than Turner by a 2-to-1 margin in the electorally crucial province of Quebec, and he published an autobiography in October that pundits say is aimed at keeping a high

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public profile. Turner's convention performance and the lingering taint of Chretien's 16-year association with unpopular former Prime Minister Trudeau, however, almost certainly ensure that he can fend off any challenge and lead the Liberals into the election due in 1988 or 1989. [ ]

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Turner's recent success caps a year during which he revitalized the Liberal Party across Canada and reawakened grassroots support [ ]

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[ ] Turner traveled over 225,000 miles visiting Liberal organizations in all 282 parliamentary constituencies and campaigned effectively for Liberal candidates in provincial elections in Newfoundland and Ontario. He has also greatly improved his parliamentary performance since the session began in September, and his nationwide approval rating in the Gallup Poll in November for the first time equaled Prime Minister Mulroney's. Barring a debilitating fight with the disgruntled Chretien, Turner seems to have reestablished himself and his party as a credible alternative government to the Tories. [ ]

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#### **Destroyer Modernization in Jeopardy** [ ]

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Severe cost overruns continue to threaten the Canadian navy's Tribal-class destroyer modernization program, [ ] The four Tribal destroyers, commissioned in 1972-73, are the most modern in the Canadian fleet and are scheduled to undergo midlife refit and structural reconfiguration in 1986. This revitalization program is designed to shift the destroyers' role from antisubmarine warfare (ASW) to anti-air warfare (AAW) by the early 1990s. [ ]

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The scope of the project appears highly ambitious given the limited government funding it has received. During the project definition phase, the modernization cost for all four vessels was estimated at \$1 billion, but Ottawa has allocated only about \$500 million in its current budget. If the Department of National Defense does not receive additional funding, the program will probably have to be cut back drastically. By scaling down the destroyer reconfiguration plans, the navy would be left with two options—reduce the amount of AAW equipment for each ship and accept a fleet of less capable destroyers with limited air defense capability or proceed with the full refit of three destroyers now and hope that funds become available in the future to modernize the remaining ship. [ ]

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Prime Minister Mulroney has been unable to muster public support for any type of expanded defense program. The large increase in government funding necessary to complete the destroyer program will undoubtedly be opposed by the Liberal party and Mulroney's own government budget cutters, who are intent on reducing Canada's growing deficit. [ ]

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**Italy****Penal Reform Releases Criminals** ☐

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A controversial 1984 law that goes fully into effect this week may release on parole as many as 160 potentially dangerous detainees. Included are mostly persons accused of drug trafficking and Mafia-related crimes but also some 40 charged with terrorism. According to press accounts, the accused terrorists are mostly people charged with giving logistic support, and none are considered hard core.

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The law, which aims to correct abuses that have allowed people awaiting trial to languish in jail for more than 10 years, limits total preventive detention to six years, with no longer than two years of detention at any stage of the trial and appeals process. The government secured a nine-month delay to try to complete the trials and settle appeals of some 1,300 accused terrorists, gangsters, and drug traffickers who otherwise would have been eligible for immediate release, but it has been unable to clear up entirely the enormous backlog of cases. ☐

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On 29 October a Milan court released on parole 10 convicted terrorists awaiting retrial, partly because the processing of their appeals would not be completed by the time the new law was to take effect. This decision drew widespread criticism and refocused public attention on the reform law. Law-enforcement officials warned that the reform would release hardened criminals and terrorists who might renew their former contacts and resume operations. The government has attempted to address these concerns by issuing new parole regulations that permit judges to order the re-arrest of parolees for violations of their provisional liberty, including association with criminal or other dangerous elements or attempting to flee or go into hiding. The new regulations were issued by decree. They take effect immediately but must be approved by Parliament within 60 days. ☐

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**Spain****Regional Election Aids Socialists** ☐

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The regional election in Galicia on 24 November gave a small lift to Prime Minister Gonzalez's Socialist Party. The Socialists won 22 seats—up from 16 in 1981—in the 71-seat regional assembly. In comparison, Manuel Fraga's conservative Popular Coalition—the largest opposition group nationally—almost certainly will continue to govern in Galicia after increasing its representation from 26 to 34 seats. The Galician Coalition, a regional group linked nationally with Miguel Roca's center-right Democratic Reform Party, won 11 seats, while regional leftists took another four seats, and the Communists and former Prime Minister Adolfo Suarez's centrist Social Democrat Center Party each failed to win a seat. ☐

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Galicia is the most conservative region in Spain, and neither Gonzalez nor political pundits had expected the Socialists to win there. Indeed, Gonzalez undoubtedly will be pleased with the Socialists' strong second-place showing and the failure of Suarez and the Communists—his two most serious rivals for centrist and leftist votes, respectively. The Galician Coalition's unexpectedly strong showing stemmed in many respects from local circumstances, and Roca is likely to continue to have

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trouble getting the year-old Reform Democrats off the ground nationally. Fraga, for his part, can draw little cheer from the Popular Coalition's advance in Galicia because he had boasted that it would win an absolute majority, and pundits had said that anything less than that would confirm their charge that he would be unable to win nationally against Gonzalez.

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**Czechoslovakia****Investment Goals Revealed** 

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Prague has announced an investment plan for 1986-90 that will focus on problems of technological stagnation, energy dependence, uncompetitive exports, and environmental pollution. The plan calls for investment growth to accelerate to an average annual rate of 3.5 percent, compared with a 0.4-percent rate in 1981-85. Even if investment growth can be sustained at this level for the entire period, it seems insufficient to achieve the regime's ambitious goals for modernizing its obsolescent capital stock.

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Prodded by Moscow's demand for more and better goods, the program emphasizes investment in robotics, electronics, and some chemicals to foster high technology and plant modernization. Czechoslovakia also plans to increase investment in those products, such as tractors and trucks, for which it is a major supplier to CEMA. To counter some of the worst pollution in Eastern Europe, investment in environmental protection will almost double that of the previous five years. As a further environmental measure, Prague will continue substituting nuclear power for fossil fuels, particularly coal. Planners hope to expand the nuclear share of the total energy supply from about 15 percent now to almost one-third by 1990. The new investment program is unlikely to invigorate the economy, however, because Prague remains unwilling to address more fundamental problems caused by inefficient central planning and excessive trade dependence on CEMA.

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## Articles

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**Eastern Europe:  
Winter Energy Worries** ☐

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After suffering some of the worst energy shortages in the postwar era last winter, East Europeans are preparing anxiously for the coming icy season. Every country in the region is attempting to increase fuel production and imports, accelerate the repair and construction of energy facilities, and implement stringent—if frequently belated—conservation measures. Nonetheless, Bulgaria, Romania, and Yugoslavia probably will incur energy shortages this winter even if the weather is average. These shortfalls will again cripple industrial production and stunt economic growth. The populace—especially in Romania and, to a lesser extent, Bulgaria—will have to cope with another cold, dark winter, which can only lead to further disaffection toward their Communist leaders. ☐

**Last Winter's Big Chill**

According to US Air Force weather data, temperatures in Eastern Europe last January and February averaged 9 degrees Fahrenheit below normal. The cold weather increased demand for energy and disrupted supplies, hindering transportation and production. ☐

The impact of the energy shortages varied considerably, with countries in Eastern Europe's southern tier faring worst:

- In **Bulgaria**, widespread shortages of electricity and heating created a near emergency. Electricity was provided on a three-hours-on, three-hours-off schedule. The few open gas stations faced long lines of motorists. Television broadcasts were scaled back, factories were shut down, train schedules were reduced, and school classes were canceled to conserve energy. ☐

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**Constraints on Energy Imports**

*A shortage of hard currency and tight Soviet oil supplies contribute to Eastern Europe's energy worries.* ☐

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*The hard currency problems that plagued most of Eastern Europe in the early 1980s have forced the region to restrict Western imports, slowing the replacement of antiquated plant and machinery with more modern, energy-efficient equipment. The poor condition of power installations results in frequent breakdowns and limits the ability of these countries to step up energy output when demand surges. Moreover, most countries cannot afford to buy substantial amounts of additional oil in the West, even with OPEC prices falling.* ☐

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*Although Soviet energy deliveries to several countries were interrupted temporarily last winter because of technical and logistic problems, Moscow for the most part met the contracted volume of deliveries. Limits on Soviet oil deliveries in recent years, however, have forced Eastern Europe to rely more heavily on domestic resources. Thus, last winter's disruptions in production hit even harder. Moreover, Moscow has decided to cut oil supplies to Bulgaria and made it clear that other East European countries cannot expect increased deliveries in the coming years.* ☐

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- In **Romania**, authorities implemented strict measures to ration energy. Additional workers were mustered for round-the-clock mining operations to increase coal production. A 50-percent reduction in public lighting was mandated, with households limited to the use of one 15-watt light bulb. Widespread shortages across the country left many homes without heat, gas, or water for days. ☐
- In **Yugoslavia**, disruption of coal and fuel oil deliveries to thermoelectric plants because of heavy snowfall caused brief power outages in some areas. The government was forced to boost imports of oil by 31 percent and increase imports of electricity. Deliveries of gas to industries were restricted, and some towns experienced heating problems because of sharp reductions in gas imports. ☐

Drought—now in its third year—also lowered energy production in these three countries, which depend more than the rest of the region on hydroelectric power. Yugoslavia is the most vulnerable because it relies on hydroelectric power for a third of its electricity compared with 14 to 18 percent in Romania, and 8 to 12 percent in Bulgaria. The loss of hydroelectric reserves is all the more critical when energy supplies from other sources are stretched thin. ☐

Although countries in the north fared better, energy shortages there also were worse than usual:

- In **East Germany**, authorities called in military personnel and police to help mine and transport coal and operate power stations when the freezing of water-laden lignite beds caused local fuel shortages and power outages. East Berlin was forced to import some 200,000 to 300,000 tons of hard coal from West Germany to keep steel mills from shutting down. ☐
- In **Czechoslovakia**, deliveries of gas to large-scale industrial consumers were cut 10 percent. Coal deliveries were down because the Elbe River froze and rail transportation fell below planned levels. ☐
- In **Hungary**, a natural gas shortage forced restrictions on industrial users for more than 40 days, resulting in considerable loss in production.

Although imports of oil and natural gas were increased for industry, most consumption needs were met by oil reserves, according to the Hungarian press. Fifty alternative heating power plants and industrial units switched from natural gas to oil. Households, however, were largely unaffected except for restrictions on TV broadcasting, sporadic electricity shortages, and some rationing of coal at distribution sites. ☐

- In **Poland**, supplies of coal, natural gas, and electricity to large industrial users were restricted to make extra energy available to heating plants, power plants, and households. Transportation breakdowns because of heavy snow and freezing temperatures hampered coal deliveries. Sporadic shortages hit many areas around the country. ☐

#### Difficulties Continue

The energy situation eased in the spring, although Bulgaria and Romania have continued to be plagued by shortages. In late July, Bulgarian authorities reinstituted the three-hours-on, three-hours-off electricity rationing schedules and in August moved to a two-hours-on, two-hours-off schedule for most of the country. A Bulgarian official admitted to US diplomats in late October that 10 percent of electrical capacity was shut off at any given time. Romania's energy difficulties were highlighted last month when the government announced that military commanders were to be assigned to all power plants to oversee the strict observance of maintenance and production schedules. Employees are to work under stringent military rules. ☐

Continuing problems in Yugoslavia were evidenced in October with the imposition of restrictions on electricity usage throughout much of the country. The restrictions, while generally mild, have created anxieties over the coming winter. Some republics have already begun to cut electricity to industry. ☐

#### Outlook

To avoid a repetition of last winter's shortages, the East Europeans are attempting—with limited success—to expand energy production to replenish

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stocks and make up for production shortfalls. They are also speeding repair work, constructing new energy facilities, and imposing various conservation measures. Hungary, Bulgaria, Poland, and Yugoslavia also have raised prices for domestic energy consumption in order to dampen demand. Planned outages in Romania and Bulgaria are largely attempts to spread energy reductions throughout the entire year in order to conserve fuel and avoid more serious disruptions during the winter.

We believe that, other than Bulgaria and Romania, the region will make it through this winter without major energy disruptions, barring another bout with record cold temperatures. While Czechoslovakia, Hungary, Poland, and East Germany all suffered energy shortages and production losses last winter, their ability to meet most of their energy needs under such adverse conditions, combined with extra precautions and better overall preparedness, suggests that an average winter will pose no major energy difficulties in these countries.

Yugoslavia's prospects this winter hinge in large part on the continuing severity of the drought and its effects on hydroelectric power. At this point, the situation potentially is more serious than last year but better than in 1983 when reduced hydroelectric reserves—as much as 40 percent below normal—led to periodic electricity blackouts throughout the country. Belgrade, however, may be forced to cut consumption by instituting similar measures if the country is unable to make up energy production shortfalls.

Bulgarians probably will suffer the same electricity cutbacks this winter that they have faced most of this year despite measures to increase supplies and remedy the breakdowns in the power industry. While Sofia's planners could increase imports even more to meet the country's energy requirements in view of production shortfalls and reduced Soviet oil supplies, they have been reluctant to increase hard currency debts and probably will continue to squeeze the population.

We expect that Romania will face the gravest energy difficulties this winter. The imposition of a military work regime on demoralized workers may succeed in lifting energy production somewhat, but coal

production will fall far short of the unrealistic targets set by Bucharest. Because of acute hard currency problems, Romanian leaders will continue to export a significant portion of the country's oil—even in the face of domestic energy shortages—and will limit energy imports. Romanian households will be forced to bear the burden of energy shortfalls.

The most serious effect of energy shortages this winter on Bulgaria, Romania, and, possibly Yugoslavia, will again be the losses in production, which will lower economic growth and set back export and investment plans. Romania, trying hard to maintain the confidence of Western bankers in view of its crumbling economy, will have even more difficulty in sustaining hard currency exports.

Major domestic unrest due to energy shortages seems unlikely. Romanians are accustomed to hardships, and leaders in other East European countries were careful to maintain supplies to households last winter at the expense of industry and subsequent production declines. We believe that Yugoslavia will monitor carefully popular reaction to conservation measures. In the event of widespread public unrest, it would undertake additional measures to boost supplies to the population, either by cutting industry or increasing imports.

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## Yugoslavia: Impact of Party Revival on Economic Policy

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Renewed assertiveness by the Yugoslav Communist Party threatens to make the government's adherence to its long-term economic stabilization program more difficult. While the party leadership has supported some key economic bills proposed by the government, it has advanced other measures that conflict with government and IMF efforts to promote greater economic efficiency. Recent statements suggest that disagreement between the party and the government over these latter measures is likely to continue and even sharpen.

### Renewed Party Activism

Yugoslavia's Communist Party is showing signs of recovering some of the authority and influence that it lost in the five years since Tito's death. Top party bodies have been meeting more often in recent months, have added staff to their executive arm, and have called for tighter discipline over the powerful regional party bodies.

The party leadership seems determined to play a more influential role in economic policy. A sign of this switch came in late September when the Party Central Committee broke with its normally noninterventionist approach to the Federal Assembly by issuing unusually pointed directions to regional delegates to adopt a controversial foreign exchange law. Top party leaders have also demanded that laws governing the banking system and business losses due to exchange rate changes be approved by the end of the year. The US Embassy reported in October that it has rarely seen top Yugoslav officials so fired up. The military, a leading critic of party leadership inaction a year ago, in recent months has muted its complaints.

A loose coalition spearheaded by Serbia, the country's largest republic, and including the economically hard-pressed southern republics seems to be behind the new party assertiveness—though some ideologically orthodox northern officials welcome a more active party role. The coalition may be strong enough to force at least an incremental shift toward more central party influence over policy, probably by

selectively exploiting party statutes allowing for majority rule instead of the unanimity used in many government bodies. Even so, the party would remain among the most diverse and open in the Communist world, prone to the venting of conflicts among competing regional and ethnic interests.

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### Reservations on Government Economic Policy

While some of the party leadership's recent actions support policies backed by the government and the IMF, others suggest that policy conflicts may be brewing. On the one hand, the party has placed itself behind the government in its stand on the foreign exchange law and other bills before the Assembly. It has also recently lined up with those favoring greater reliance on market forces by reaffirming support for private businesses and quietly shelving a scheme, put forth by some party officials last summer, for a centrally mandated wage policy.

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At the same time, party leaders have increasingly implied that key provisions of the economic stabilization program, the centerpiece of the government's economic policy, should be watered down to ease the painful effects on the population. The long-term program was adopted by both the government and the party in 1983 at the IMF's urging to help the country overcome its foreign debt crisis. Major roles were assigned to exchange rate policies, positive real interest rates, liberalization of prices, and tighter financial discipline. The reservations of Yugoslav party leaders about government economic policies seem to reflect several factors:

- *Image-bolstering.* Many party leadership statements appear to be political posturing intended to shore up the party's lackluster image in the eyes of workers, pensioners, and the unemployed, many of whom have been hit hard by the austerity program.

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- *Concern for public discontent.* Like leaders of other debtor countries implementing IMF stabilization programs, Yugoslav officials want to prevent outbreaks of public discontent. So far, Yugoslavs have shown remarkable forbearance, but the number of strikes is up this year and the limits of public tolerance are unclear.
- *Ideological conviction.* Although ideology has lost much of its role as a motivating force among Yugoslav politicians, many still believe that party, government, and workers' bodies should be instrumental in economic decision making. Some fear any moves that would turn the economic system further toward a Western-style market economy.
- *Maintaining power.* The power of many leaders derives in part from their ability to control the dispensing of economic favors. Planks of the stabilization program calling for increased financial justification for investments could endanger pork-barrel projects and weaken the influence of officials at all levels.
- *Economic rationale.* Yugoslav economists are divided as to the best solutions to the country's economic problems. Embassy reporting indicates that the party has set up its own in-house team of economists whose views sometimes clash with those of government economists.
- *Defending the dinar.* Some party leaders have expressed unease with the government's steady devaluation of the dinar, a measure required by the IMF to promote export competitiveness and more efficient resource allocation. The party president, concerned that the policy aggravates inflation and weakens the average Yugoslav's buying power, recently demanded that the rate of exchange not be allowed to deteriorate further.
- *Reining in market forces.* The party Presidium in October warned of economic policies that deny the state a role in economic planning and place faith only in the "haphazard and spontaneous" effects of the market. While party officials in some republics strongly support the use of more market stimuli to increase efficiency and rationality, US diplomats report that senior officials in some other republics continue to distrust them.
- *Imposing price controls.* According to Embassy reporting, the director of the Federal Institute for Prices stated that partial price controls enacted recently were partly in response to pressures to demonstrate the government's willingness and ability to control inflation. The price controls apparently go against the spirit but not the letter of IMF price liberalization policies and send mixed signals to economic decision makers. While the pricing official specifically cited political pressures

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#### Party Oppositional Statements

While taking more initiative on economic policy, party officials thus far have not come forth with a coherent, all-embracing package of proposals. Many of their ideas seem intended to goad the government into action and have been floated as trial balloons. Some of the more controversial proposals suggested by the Presidium have died in the Central Committee. Nonetheless, even the environment created by airing these proposals—made by top party bodies and not just individual leaders—could constrain government economic decision making and ultimately impair relations with Western creditors. Following are some of the more striking proposals:

- *Lowering interest rates.* The party Presidium's report to a plenum in late October took issue with a key element of the government's current agreement with the IMF when it criticized uniform application

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within the Assembly and government, party officials frequently have called for concrete government action to lower the inflation rate.

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**Outlook**

The party leadership seems determined to regain at least some of its waning influence, authority, and reputation in advance of next June's party congress, and economic policy will be one issue on which it is likely to focus. While facing obstacles to asserting its influence in the form of independent-minded regional party groups and governmental bodies, the leadership may succeed in shaving some of the harder edges off the government's austerity program.

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The government probably is pleased to win strong central party backing for legislation in the face of sometimes stubborn regional pressures in the Assembly. Yet it increasingly will need to make compromises and fight a rear-guard action to defend itself against party criticism. These efforts may be encumbered when the current premier, Milka Planinc, ends her nonrenewable term next May. The new premier may lack both her clout and convictions.

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Nonetheless, a major shift in economic policy appears unlikely. The majority of senior party figures seems committed to the general outlines of the stabilization program. Most are probably aware that a radical shift in policy would be construed by the IMF and Western creditors as backsliding on Yugoslavia's commitment to economic reform, endangering future financial assistance. Thus, for the foreseeable future, Belgrade will probably continue to walk a tightrope, trying to reduce the country's worst economic inefficiencies while at the same time dampening public discontent by protecting at least some workers and unprofitable firms.

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**Spain: Gonzalez and  
the NATO Referendum**

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Prime Minister Gonzalez is moving closer to holding the referendum he has promised on NATO membership. He still might back off, however, if he becomes convinced the referendum will fail or if his NATO Allies weighed in strongly against it.

**Gonzalez's Strategy**

Gonzalez's pride is a principal reason why he has stuck to his pledge to hold the vote. He probably could back out of it without damaging Socialist prospects in the next parliamentary election, which must be held by the end of 1986, but apparently worries that he would damage his personal prestige and image of trustworthiness if he canceled the vote without a plausible cause.

A recent decline in public opposition to NATO probably also has encouraged Gonzalez to go ahead with the referendum. Polls now indicate that he has some basis for hoping that he can win a favorable vote if he couples continued Alliance membership with nonparticipation in NATO's military structure, a reduction in the US military presence, and Spain's continued nonnuclear status.

A final factor favoring the referendum is Gonzalez's apparent hope that he could survive a defeat in that vote without jeopardizing NATO membership or his own political fortunes.

**Factors Against Holding the Referendum**

Reversal of the recent shift of sentiment could still give Gonzalez second thoughts about the referendum. He probably also would listen seriously to the reservations of Washington and his other allies concerning the vote. Gonzalez might also shrink from the referendum if he had trouble crafting a referendum question acceptable to conservative opposition leader Manuel Fraga. The Prime Minister needs Fraga's help in getting conservative voters to the polls if he is to win. Fraga, however, is a strong pro-Atlanticist and has said he will not support a referendum proposition that either places significant

restrictions on Spain's contribution to Western security arrangements or amounts to a blanket endorsement of the Socialists' foreign policy.

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Collapse of a regional government and an ensuing regional election also could derail the referendum. Spanish electoral law prohibits holding a referendum within 90 days of a regional election, and regional votes already scheduled effectively limit the NATO referendum to a few weeks in late February and March. Nonetheless, although several regional governments are shaky, none appears likely to fall in time to foreclose holding the referendum.

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**Timetable for a Decision**

Gonzalez has repeatedly postponed the parliamentary debate on foreign policy during which he would probably have to reveal the date and wording of the referendum—the final steps that would commit him irrevocably to holding that vote. Top Socialists have said publicly that they now plan to hold that debate in late January or early February. Gonzalez will have to decide by then whether to go ahead with the referendum. If he chooses to back out of that commitment, he would almost certainly call an early national election and say that he was giving the voters a chance to pass judgment on his pro-NATO policy as well as the rest of his program.

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## West Germany: Attitudes on Reunification and the Cementing of the Division of Germany ☐

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### Viewpoint

*This article does not represent a DI or CIA position; it is solely the view of the author. It has not been coordinated or reviewed.* ☐

East German leader Erich Honecker will probably soon visit West Germany, including Bonn, and West German leaders will lay out the red carpet for the man who—among many other nasty actions—supervised the construction of the Berlin Wall. Before, during, and especially after the visit, the world's media, academics, and German watchers will have a *Festspiel* speculating on how the visit has begun—or continued—the process in which the two Germanys will eventually reunite (shudder)! ☐

How do the people and politicians of West Germany regard the prospects for reunification? (We are not talking about continuing and improving contacts and relations with East Germany—a process that is popular and a political imperative.) In one word, West Germans are realistic about reunification—and they do not think it will happen in this century, if ever. At the same time, West Germans have a “romantic” desire for German unity, and political leaders must continue to abide by the constitutional requirement that the West German Government seek to unify “Germany.” ☐

A growing number of West Germans, however, are stating publicly that the “German question” is—or should be—closed and that it is, at last, time that West Germany recognize completely a fully sovereign and independent East Germany. At the moment, most of these people are members of the Greens or the Social Democratic Party (SPD). ☐

### Popular Attitudes

Public opinion polls over the years indicate that:

- The vast majority of West Germans do not believe that reunification will take place.
- They also want reunification, although younger people care less than their elders about German unity.

- Practically no one (1 percent of the respondents in a 1981 poll) considers reunification to be an important current political concern. ☐

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The head of the Allensbach polling firm, one of the most respected and reliable pollsters and one that has been querying the FRG people about reunification for two decades, has pointed out that West Germans just do not think about the issue of German unity. In polls in which people are asked to name the most important issues facing the government—rather than respond to a list of issues selected by the polling firm or sponsor—only 2 to 3 percent of the respondents will state that achieving German unity is a major issue. ☐

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A poll conducted by the EMNID organization shortly after Honecker postponed his visit to West Germany in September 1984 supports the view of the Allensbach firm's leader. Despite the enormous publicity about East-West German relations at that time, the respondents listed numerous other issues—mainly environmental and economic—as being more important than improving relations with East Germany. The topic of reunification was not mentioned. ☐

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West Germans are also gradually changing their views of the people in East Germany and are ambivalent about what constitutes Germany and the “German nation.” Polls indicate:

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- The majority of West Germans still do not consider East Germany to be a foreign country.
- Fewer West Germans than in the past consider East Germans to be “compatriots,” and younger West Germans are less inclined than their elders to regard East Germans as being closer to them than other German-speaking people. ☐

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**A Reunified But Neutral Germany?**

If the simple question "Do you think there will be a reunified Germany" is posed, the great (and growing) majority of West Germans answers "No." If, however, a very theoretical (and seemingly unrealistic) question is posed concerning a reunified but neutral Germany, a majority of West Germans answer that they would welcome such a state. ☐

**Question:** Would you welcome or oppose a reunified, nonaligned Germany established under the following conditions: East Germany withdraws from the Warsaw Pact and the Federal Republic from NATO; the reunified Germany could determine its social system in free and secret elections; neutrality and nonalignment would be guaranteed. ☐

**Responses:**

	Welcome	Oppose	Undecided
1978	38	34	28
1979	49	26	25
1980	47	27	26
1981	53	20	27
1984	53	26	21

**1984 Results by Party:**

	Welcome	Oppose	Undecided
CDU/CSU	48	32	20
SPD	59	23	18
Greens	73.8	—	—

Source: Allensbach Polls. 1984 poll results as reported by *Der Spiegel*, 31 December 1984. For some reason, *Der Spiegel* did not report on how FDP supporters or voters replied.

Such support for a theoretically reunified but neutral Germany is not new. During the 1950s, for instance, there was no doubt—according to public opinion polls—that West Germans would have preferred a reunited Germany to a West Germany aligned with the West. The SPD, then as now in the opposition, strongly opposed Konrad Adenauer's policy of tying West Germany to the West because the Social Democrats believed this policy would preclude reunification. Despite its theoretical preferences and the presence of a political party that offered a clear alternative to the governing parties, the electorate voted for Adenauer and the CDU. We think this seeming discrepancy and the poll results showing continued support for a reunified but neutral Germany are explained by the fact that, while West Germans still yearn for a united Germany, they are under no illusion about the prospects for one. They have a realistic assessment of the facts of European and global power relations. ☐

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More telling was a poll conducted by the journal *Deutschland Archiv* in 1984 concerning the wave of East Germans the Honecker regime permitted to emigrate to West Germany—some 40,000 people. According to the poll:

- Twenty-two percent of West Germans were negatively disposed to the immigrants from East Germany.
- Twenty-five percent generally accepted the immigrants' need for assistance but at the same time viewed them with suspicion or uncertainty.
- Twenty-six percent were "tolerant" of the immigrants but unwilling to become "engaged" on their behalf.
- Only 26 percent viewed the immigrants in positive terms.

**The "German Nation" or "West German Nation"**

Most West Germans, according to polls, still consider the "German nation" to exist in the cultural and linguistic senses and believe it is geographically larger than the Federal Republic—that is, extending to East Germany (and other German-speaking areas, such as in Switzerland and Austria, plus the former German areas now in Poland and the USSR). Differences among age groups on this point do not exist. Polls, however, also suggest that in the political sense many West Germans perceive the Federal Republic as "Germany." Some West German historians and political scientists have posited that West Germans increasingly are losing their "all-German national consciousness" and developing a strictly "West German" one instead. Others dispute this notion, but it appears that a "West German" concept of political identity has come into existence.

The practical nonobservance in recent years of "Der Tag der Einheit" (Day of Unity), which commemorates the uprising in 1953 in East Germany, and declining interest even in commemorating the building of the Berlin Wall also illustrate the public's resignation about the reunification issue—and the lack of pressure on the government in Bonn to do something to promote "German unity."

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“To change the status quo, one must first recognize it” became at least an unstated motto of the Brandt-led government. (The Free Democrats, the SPD’s coalition partner at the time, fully accepted the idea. We believe they still do.) Thus, the Brandt government recognized “two German states in one German nation” and quickly concluded a number of treaties—including the Basic Treaty with East Germany in 1972—that acknowledged the status quo. (Bahr, in response to a critical commentary that West Germany had poor relations with East Germany despite the Basic Treaty, answered that for a long time West Germany had no relations with East Germany, now it had bad relations, but some day it might have good relations.)

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The late 1960s motto appears in vogue once more, at least within the SPD:

- Brandt, in late September 1984, suggested publicly that the term “reunification” no longer be used. He argued that the systems in the two German states are so different that there could only be a “unification” of two completely different and separate German states.
- Bahr seems to have reached a similar conclusion—he probably inspired Brandt to say what he did. In a book written in 1982, Bahr concluded that “Germany can only become an object of our thoughts again when the division of Europe is a thing of the past.” More recently, he reportedly stated that the “German question” is closed.
- Guenter Gaus, once the chief of the West German Permanent Representation in East Berlin, is pushing two themes: that one must recognize the status quo before changing it and that Honecker is more of a German than a Communist and West Germans therefore can “deal” with “Erich, Now the Good.”
- Juergen Schmude suggested amending the West German Basic Law to make it easier to deal with East German demands that Bonn recognize the

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#### A New Trend?

Have West Germans, then, given up on the idea of reunification, and should the United States and the rest of the world no longer fear the German bogeyman? No—or do you want a two-world answer? The West Germans, especially the SPD, have simply taken a new tack and now emphasize that one should speak of “unification” rather than “reunification.” Brandt, Bahr, and the rest of the SPD recognized in the early 1960s that West Germany had been given a “reality sandwich” when the Wall was built. They concluded that Bonn had to deal with the reality of East Germany and that West Germany had to do this on its own even if the Western Allies did not fully support Bonn.

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validity of East German citizenship. This suggestion proved very controversial and was not supported even by SPD members and voters; Schmude (and the SPD) temporarily dropped the subject.

- In mid-November 1985, Oskar Lafontaine, SPD Minister President of the Saarland and a favorite of Brandt, reopened the question by stating that West Germany "sooner or later" will have to recognize "East German citizenship" if there is to be normal traffic between the two German states.
- Most basically, the SPD in January 1985 declared in a 62-page paper that "fruitless discussion about whether the German question is open should be halted" because "it is certainly no longer open in the old sense—directed against the reality" of East Germany.

#### **Cementing the Division of Germany**

We believe that the SPD is in effect saying that it is time to shed more ideological, political, and even constitutional baggage and recognize more East German demands. The party presumably reasons that, because East and West Germans benefited after the Brandt government broke the impasse in relations by recognizing two German states in the late 1960, further benefits might result if the West Germans accept the realities of the 1980s. The dream of reunification is dead, but who knows how a more confident, "legitimate," "sovereign" East Germany might act in the future? How about reviving the idea of a "confederation" of the two German states? After that ... ?

The SPD, in short, seems willing to gamble that *cementing* the division of Germany now might somehow result in a united Germany some time in the 21st century and—in the shorter term—result in more "humanitarian" benefits for East and West Germans alike. (It is ironic and tragic that West Germans and the West in general consistently label as "humanitarian" East German agreements not to harass travelers, not to kill would-be escapees, not to prevent people from emigrating, and so forth.)

What about the present governing parties? Do they share these presumed views of the SPD? Not completely, and they certainly do not publicly discuss such matters even if they agree with the SPD. But the Kohl government's actions speak very loud, and one could make a pretty good case that almost willy-nilly the current government is furthering the division of Germany. The Kohl government:

- Appears willing to accept completely two of Honecker's four "Gera demands"—accepting that the border along the Elbe is in the middle of the river rather than on the eastern shore and eliminating the Salzgitter office that monitors East German violations of human rights.
- Has been ready for some time to compromise on a third Gera demand by stating that it "respects"—if not "recognizes"—East German citizenship. 25X1
- Will receive Honecker in Bonn (even if the visit is described as a "working" one).
- Appears ready to receive Horst Sindermann, President of the Volkskammer (the phony East German parliament).
- Is likely to repay a visit by Honecker to Bonn by a visit to East Germany and—perhaps—East Berlin. (Kohl may not visit East Berlin, but President Von Weizsaecker most likely will.)  25X1

In addition, the CDU-led government in West Berlin is playing games with the East Germans (and the Allies), the results of which could be a strengthening and legitimization of the East German position concerning the status of West Berlin.  25X6 25X6 25X1

#### **Implications for the United States**

The "German question" has always caused problems for the United States, and we believe that the current West German Government's planned actions and the SPD's musings will cause a mess of headaches for the

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United States. For example, the Elbe border was fixed as part of Four-Power Agreements during and after the war. To our knowledge, the West Germans have not consulted with the United States or France about recognizing the eastern shore. What does the United States do if Von Weizsaecker visits East Berlin? How does the United States react if the West Germans receive Sindermann in Bonn? What will be the US position if the West Berliners resume their uncoordinated meetings with East German officials? And, more generally, what does the United States do—absent a peace treaty with “Germany”—if West Germany begins dealing with East Germany as a complete equal? What happens to Allied “rights and responsibilities for Germany as a whole?” Finally, what happens to the status of West Berlin—the only real estate the US military still occupies?

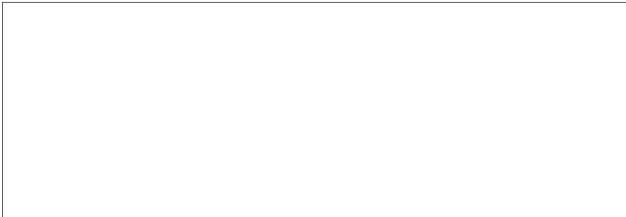
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Attempts to reunify Germany are not in the offing, but the opposite process—a furthering of the division of Germany—would cause just as many problems for intelligence collectors and analysts as well as policymakers.


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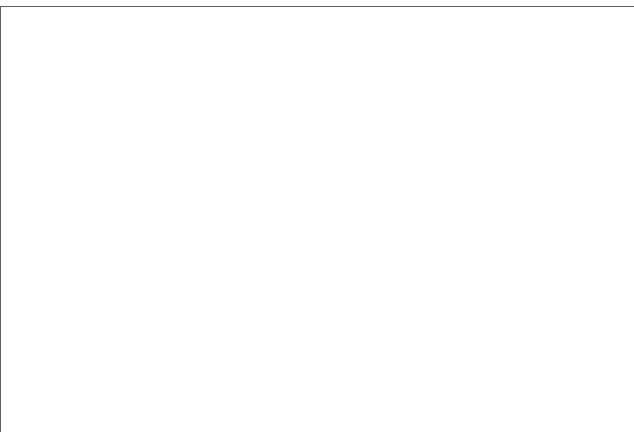
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**Finnish economic institutes forecasting 2.5-percent real growth next year and possible recession in 1987** . . . follows 3.5 increase this year . . . weakening dollar seen hurting important forest product exports, while trade with Soviets continues to slow . . . Helsinki unlikely to pursue expansionary policies, risk reversing gains made against inflation. 

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**Norway's parliament approved extra funding to maintain 3.5-percent real growth in defense spending for 1985** . . . \$70 million in unspent and newly appropriated funds to be used to buy US tanks and antitank missiles . . . other major purchases include missiles for Navy and Air Force. 

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